

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services Contracts
Non-Published Rates

Docket No. MC2013-27

Competitive Product Prices
Global Expedited Package Services Contracts
Non-Published Rates 4 (MC2013-27)

Docket No. CP2013-35

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE REQUEST TO ADD GLOBAL EXPEDITED PACKAGE
SERVICES—NON-PUBLISHED RATES (GEPS—NPR) 4
TO COMPETITIVE PRODUCT LIST

(January 8, 2013)

The Public Representative hereby provides comments pursuant to Order No. 1601.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service request to add Global Expedited Package Services—Non-Published Rates (GEPS—NPR) 4 to the competitive product list.²

The GEPS – NPR product offers incentive pricing to mailers that contract with the Postal Service to mail merchandise and other items to foreign destinations using Global Express Guaranteed (GXG), Express Mail International (EMI), and Priority Mail International (PMI). Request at 6. To qualify for a GEPS—NPR contract, a mailer “must be capable, on an annualized basis, of paying at least \$200,000 in international postage to the Postal Service.” *Id.*, Attachment 2B. Pursuant to such a contract, the

¹ PRC Order No. 1601, Notice and Order Concerning Addition of Global Expedited Package Services—Non-Published Rates 4 (GEPS—NPR 4) to Competitive Product List, December 28, 2012.

² Request of United States Postal Service to Add Global Expedited Package Services—Non-Published Rates 4 (GEPS—NPR 4) to the Competitive Products List and Notice of Filing GEPS—NPR 4 Model Contract and Application for Non-Public Treatment of Materials Filed Under Seal, December 21, 2012 (Request).

mailer must commit to provide a minimum level of revenue from the use of GXG, EMI and PMI. Request at 6.

Prices and classifications not “of general applicability” for Global Expedited Package Services – Non-Published Rates were previously established by Governors’ Decision No. 10-2.³ In Order No. 593, the Commission approved the addition of the GEPS – NPR 1 to the competitive product list.⁴ In Order No. 630, the Commission subsequently added the GEPS – NPR 2 to the competitive product list.⁵ Most recently, in Order No. 1161, the Commission approved the addition of the GEPS – NPR 3 to the competitive product list.⁶

The instant proceeding is an outgrowth of the price changes for GXG, EMI, and PMI, effective January 27, 2013, which are the basis for the discounted prices offered to mailers pursuant to a GEPS - NPR 4 contract. Request at 6. The Postal Service submits a GEPS – NPR 4 model contract and a new financial model that differs from the GEPS – NPR 3 model contract and financial model. *Id.* at 3. The Postal Service asks that the Commission add the GEPS – NPR 4 product to the competitive product list “to reflect the change in non-generally applicable rates for this competitive product.” *Id.* at 8.

COMMENTS

The Public Representative has reviewed the Postal Service’s Request, the GEPS – NPR 4 model contract, and the new financial model filed under seal. Based upon that review, the Public Representative concludes that the GEPS – NPR 4 product should be added to the competitive product list. In addition, it appears that the discount prices

³ See Notice and Request of the United States Postal Service Concerning Global Expedited Package Services – Non-Published Rates and Application for Non-Public Treatment of Materials Filed Under Seal, Docket Nos. MC2010-29 and CP2010-72, July 16, 2010.

⁴ PRC Order No. 593, Order Approving Postal Service Request to Add Global Expedited Package Services - Non-Published Rates 1 to the Competitive Product List, Docket Nos. MC2010-29 and CP2010-72, November 22, 2010.

⁵ PRC Order No. 630, Order Adding Global Expedited Package Services-Non-Published Rates 2 to the Competitive Product List, Docket No. CP2011-45, December 30, 2012.

⁶ PRC Order No. 1161, Order Approving Postal Service Request to Add Global Expedited Package Services – Non-Published Rates 3 (GEPS – NPR 3) to Competitive Product List, Docket Nos. MC2012-4 and CP2012-8, January 20, 2012.

developed from the financial model should generate sufficient revenues to cover costs and satisfy 39 U.S.C. § 3633.

Upon review of the Postal Service's Request, the Commission must determine whether the GEPS – NPR 4 product should be added to the competitive product list. 39 C.F.R. § 3020.30 *et seq.* The Commission must also determine whether the discount prices developed from the financial model underlying the GEPS – NPR 4 product satisfy 39 U.S.C. § 3633.

Requirements of Part 3020. The Postal Service states that experience with the GEPS – NPR 3 model contract has prompted it to adopt certain changes to that contract that are reflected in the GEPS – NPR 4 model contract. Request at 7. Those differences compared to the GEPS – NPR 3 model contract are identified in the Request. *Id.* at 7 – 8.

The Postal Service asserts that these changes do not affect the rate design used to develop the GEPS – NPR discounted rates, or the market characteristics of the GEPS – NPR product. *Id.* at 8. The Public Representative agrees. The Postal Service's changes generally clarify what constitutes qualifying mail, certain obligations of the mailer with respect to customs and export requirements, and the Limitation of Liability of the Postal Service and Indemnity. These changes are also relatively limited in contrast to the changes introduced in the GEPS – NPR 3 model contract, which included the addition of GXG, and an increase in the mailer's minimum annualized revenue commitment from \$50,000 to \$200,000.

39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. Based upon a review of the financial model filed under seal with the Postal Service's Request, it appears the discounted prices developed from the financial model should generate sufficient revenues to permit the GEPS – NPR 4 product to cover costs and thereby satisfy section 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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